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ABSTRACT

The growth and optimism that characterized higher education in the 1950's and 1960's have given way abruptly to a projected future of stabilization and uncertainty. This paper addresses the most important of postsecondary education's problems that may be affected by financing arrangements and offers some suggestions for their alleviation. In brief, the author recommends the following financing policies: (1) Low tuition at public institutions should be maintained in recognition of collective societal benefits and of social obligations to individuals and groups. (2) If increased revenue must be obtained from students and their families, tuition at public upper-division and graduate levels should increase slightly. (3) State and local governments should continue to be primarily responsible for the basic institutional capability to offer a variety of postsecondary educational programs and services to meet the needs of their citizens. (4) State and local support of institutions should be linked closely, but not exclusively, to student enrollments as a means to encourage institutions to respond rapidly to student need. The author then continues to discuss federal responsibilities in relation to financing, and philanthropic and institutional responsibilities. (Author/PG)

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TINKERING WITH POSTSECONDARY EDUCATION FINANCING POLICY: ONE MAN'S OPINION

by

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A paper presented at the

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TINKERING WITH POSTSECONDARY EDUCATION FINANCING POLICY: ONE MAN'S OPINION

The growth and optimism that characterized higher education in the 1950's and 60's have given way abruptly to a projected future of stabilization and uncertainty. During the 1950's and 60's the problem was how to provide enough new institutions and programs to meet society's demand to move from elite to mass higher education. Higher education's response to this demand is a cause for pride because it was met well--but, in fact, higher education overresponded, and in some cases supply now is in excess of demand. By the late 1960's there was evidence of an overproduction of degree holders, many of whom were either underemployed or unemployed. This overproduction, concern for the relative usefulness of postsecondary education to the individual, and a general change in attitude toward higher education led society to shift its priorities away from traditional higher education, with subsequent cutbacks in funding, while contributing to enrollment stabilization.

Now postsecondary education is confronted with social demand for universal access to two years of postsecondary education. It faces the problems of matching the supply of institutions and programs with a more stable enrollment, while also responding to a demand for a greater diversity of programs to meet the learning needs of a much broader potential student population.

The National Commission on the Financing of Postsecondary Education attempted to analyze such problems and possible financing policies by comparing them to a set of objectives describing the desired character of postsecondary education. Attempts were made to show, in terms of objectives, the results

of implementing the various financing policies put forth. The Commission indicated the shortcomings of its analyses, urging cautious use of the results and recommending a judgmental review of all the facts, opinions, and underlying assumptions prior to the selection of any particular financing policy.

Can we now use the Commission's efforts to get a reasonably clear focus on the problems and reach conclusions about financing policy? Can we see at least the first steps? Where do we go from here?

This paper addresses the most important of postsecondary education's problems that I believe may be affected by financing arrangements and offers my suggestions for their alleviation or resolution.

In brief, I recommend the following financing policies:

On Tuition:

- Low tuition at public institutions should be maintained in recognition of collective societal benefits and of social obligations to individuals and groups.

- If increased revenue must be obtained from students and their families, tuition at public upper-division and graduate levels should increase slightly.

On State Responsibilities:

°State and local governments should continue to be primarily responsible for the basic institutional capability to offer a variety of post-secondary educational programs and services to meet the needs of their citizens.

°State and local support of institutions should be linked closely, but not exclusively, to student enrollments as a means to encourage institutions to respond rapidly to student need.

On Federal Responsibilities:

Federal financing of postsecondary education should complement the financing obligations of state and local governments. At the present time the federal government should assume major responsibility and initiatives for:

1. Equality of access
2. Research and graduate education
3. High-priority professional and vocational fields
4. Educational reform and innovation
5. Cooperative networks and centers
6. Making appropriations in support of federal programs sufficiently in advance of disbursement to allow students, institutions, and states to plan the allocation of their resources and make program decisions with knowledge of the federal support to be expected.

On Philanthropic Support:

Philanthropic support of postsecondary education, especially during a time of increased emphasis on accountability and productivity, is a major source of flexibility for institutions, allowing them to add significant and badly needed variety and texture to educational programs. Continued and additional support should be urged and motivated. State and federal governments should continue to provide appropriate tax incentives to motivate this support.

On Institutional Responsibilities:

Institutions and systems of postsecondary education should respond positively to public requests for reform and innovation. Presently the major concerns include:

1. Relevance of subject matter
2. Learning process
3. Productivity
4. Accountability
5. Admissions of part time and short term students.

On Availability of Adequate Financial Support:

If the enterprise of postsecondary education responds positively to the public concerns identified, I believe a supportive public will provide the additional funds necessary to overcome the problems.

In making these recommendations two basic concerns have influenced my thinking--the importance and desirability of providing access to post-secondary education learning opportunities for all who can benefit and are motivated (demand), and the need to maintain a sufficient diversity of flexible institutional capabilities and learning opportunities to respond to the learning needs of individuals and society (supply). Financing policies developed to deal with the problems discussed in this paper are needed to address the imbalances between supply and demand that have occurred and to do so in an equitable manner.

Now let me discuss the major problems, as I see them, to explain why I make these recommendations. My views are subject to revision at any time in light of any new evidence or better explanations of existing evidence.

EQUALITY OF ACCESS. Just as this nation began to demonstrate its commitment to equality of access to postsecondary education, the financial crisis of the late 1960's and early 70's stalled those efforts. A major issue in adjusting financial policies to new realities is how to finance continued efforts to provide access to postsecondary education for the poor and the minorities, who are still significantly underrepresented.

Presumably out of the conviction that additional public funds will not, or should not, become available to postsecondary education, some have proposed passing a significant portion of the cost of achieving equality of access to students and families in the middle- and upper-income groups by increasing tuition in public institutions. The savings to public subsidy realized

through increasing tuition then would be dedicated to student financial assistance. In this way the states would join with the federal government in a continuing effort to bring about equality of access.

The economic evidence I have studied suggests this plan would work quite well, with the proviso that state governments dedicate the tuition revenue gained (or savings in public subsidy at public institutions, depending on your preference of expression) to financial aid to students in low-income categories.

I do not concur with the proposition to increase tuition, not only as a matter of principle, but also on pragmatic grounds.

- Inequity of student access is a problem for which our whole society must accept responsibility, not just those who desire to receive postsecondary education benefits, because the roots of the problem are economic and social, not educational. Increasing tuition to provide student financial aid to the poor places a burden of redistribution of wealth on only those who receive postsecondary education benefits, not on the whole of society where it belongs. If we are proposing policy to redistribute wealth, it should be done through tax policy and not through educational financing policy.

- The policy of low tuition in public institutions has been developed as a matter of public policy from the conviction that the social benefits of postsecondary education justify such subsidy. I see no

strong or persistent evidence that this policy should be changed. On the contrary, societal expectations of the general educational and skill levels of adults have increased to the point where universal access to two years of postsecondary education has become more a societal obligation than an avenue to individual opportunity. Thus, continued general public subsidy is justified and perhaps should be increased.

°I must note, however, that while my preferences are contrary, the economics of the situation suggest that tuitions at the upper division and graduate levels may have to rise to bring in sufficient revenue. The justification for choosing these levels, while harsh, is that current manpower projections suggest a high probability of underemployment, if not unemployment, of baccalaureate, advanced professional, and graduate degree holders. To some extent this already has occurred. Thus society has somewhat less motivation to finance these levels through general subsidies. At the same time, an individual should have the opportunity to seek such degrees if he or she is capable and is willing to bear some of the increased costs or can obtain financial assistance based on merit or financial need.

°Tuition levels should be set low enough to assure that the majority of students can have access to public institutions without need for public assistance.

°Increased tuition at public institutions, no matter what the disposition of the increased revenue, will have an adverse effect on middle-income families in that:

1. Somewhere between one and three percent of all students from middle-income families will drop out for every $100 increase in tuition, depending on the students' level and type of institution attended.
2. Those students who choose to remain in college must place increased financial burdens on their families, which already are strapped by financial pressures in an erratic economy, or the students will have to change their standard of living dramatically while in college.

°Finally, I am not convinced that state legislatures generally would allocate increased tuition revenue to student financial assistance. If they did not, the result would mean not only that the inequities of student access would continue, but also that there would be even less overall revenue to postsecondary education and a reduction of middle-class enrollments.

I believe that equality of access is a social concern of high national priority and that it should be addressed by federal initiatives. The federal government should promote equality of access to postsecondary education through work/study programs and grants and loans to students and to institutions, enabling both full-time and part-time students from low-income and middle-income families to enroll in and complete appropriate postsecondary education programs.

°The Basic Educational Opportunity Grants Program, if fully funded, should be an effective vehicle for promoting equal access.

°The evidence suggests that factors other than low income are greater deterrents to equality of access. For example, high school curricula choice and family background are more significant. I suggest, therefore, supplementing direct student grants with grants to institutions tied to the student grant recipients by income level. I believe this would provide the incentive and the resources for institutions to overcome nonfinancial barriers to equality of access.

For example, I would recommend for each BEOG recipient from families with incomes under $5,000, a supplemental grant of $200; under $10,000, a supplemental grant of $100; under $15,000, a supplemental grant of $50; under $20,000, a supplemental grant of $25.

An especially aggressive policy toward equality of access might tie large institutional grants to students by income level (with the understanding that institutions could use some of the funds for student financial assistance). Such a policy I believe would be more effective in motivating institutions to recruit, admit, and provide special services to low-income students than would a combination of direct student assistance and supplemental grants to institutions. It has the disadvantage, however, that institutions might not necessarily treat students with equal financial need in an equitable way.

°The guaranteed student loan program should be streamlined administratively and altered to:

1. Remove the financial needs test for adjusted family income at levels $18,000 and less.
2. Provide interest subsidy during enrollment on loans to all students from families with adjusted income levels $18,000 and under.
3. Increase the loan limit to $2,500 per academic year.
4. Encourage the development of institutional and bank relationships that will provide incentives to promote the effective operation of the loan program, facilitate collections, and reduce unreasonable default rates.

°Work/study subsidies should be continued as a companion program to grants and loans.

°Recognizing the great impact of the veterans' educational benefits on access, and indirectly on the financing of postsecondary education, the federal government should plan increases in the Basic Educational Opportunity Grants Program to offset the losses in equality of student access that will result as veterans' benefits are phased out.

The Preservation of Private Institutions. While private institutions have continued to grow in overall enrollment, their enrollments have declined steadily in proportion to all higher education enrollments. Rising costs have forced private institutions to raise tuitions at a rate substantially

faster than their public counterparts, creating what commonly has become known as the "tuition gap." This phenomenon is believed to be a principal cause of the current decline in enrollments among private institutions, further reducing their share of total enrollments. There is considerable concern that this soon might result in the closing of significant numbers of private institutions. The proponents of public tuition increases indicate that such action would reduce the tuition gap and improve the private institutions' competitive tuition position. Studies do show that student enrollment response to relative price changes among institutional types would positively affect private institution enrollments.

While I agree with the character of the problem and acknowledge the feasibility of the solution proposed, I disagree with the approach because of my strong feelings about the reasons for low tuition and because the tuition gap problem can be addressed by lowering private institution tuitions through a variety of mechanisms. I believe that net tuition in private institutions should be reduced as rapidly as possible so that the range of private net tuition is lowered from the 1971-72 level of 2.5 to 4.5 times to a level of 1.5 to 3.5 times that of net tuition in public four-year colleges and universities.

I believe this can be accomplished by a combination of several efforts:

- State assistance to private institutions. I believe as a matter of principle that private institutions not only should be recognized by each state as essential educational resources, but also that they

should be considered in planning the basic institutional capability required in each state. States should consider seriously the provision of financial support to private institutions in recognition of this public service. In cases where enrollments are still expanding, assistance to private institutions may be in fact less expensive to the state than providing public institutional capacity.

°Modification of the Basic Educational Opportunity Grant Program, as indicated earlier, to remove the de facto barriers to participation in this program by students attending private institutions.

°Modification of the guaranteed student loan program, as described earlier.

°Continued efforts to effect productivity gains in all institutions.

Reform and Innovation. A major item of concern in the abrupt transition from the 1960's to the 70's is reform and innovation. Every major report on postsecondary education and almost every conference regarding policy points to rising costs, the need for flexible and satisfying learning opportunities, the need for curricular relevance, and the need for productivity gains in the educational process.

There is general opinion that the process can be improved, that the quality of educational output can be enhanced, that educational substance can be more relevant to individual needs, and that more students can be educated--

if not for less money, at least not for more money. There is the feeling that if we just systematize and standardize, we can be more efficient and at the same time provide more flexible, creative, and imaginative arrangements for learning.

These notions have generated lots of talk--mostly "yes it will," "no, it won't" debates--and a few pioneering experiments and research efforts--innovative institutions and programs, funding programs in support of better teaching, and programs designed to improve management, resource allocation, and policy decision making in higher education. But current evidence suggests these combined efforts have had little effect on the total problem and clearly the calls for reform are loud and vigorous.

Here I am compelled to insert one somewhat irrelevant, but I feel important, note. Our critics (very often our supportive critics) want increased credit-hour production, individualized instruction, higher student satisfaction, greater relevance, and competency-based learning, all for less money. There is little evidence that all of these highly commendable desires are mutually supportive. For example, some of us have been studying the outputs of higher education very hard, only to find that programs which increase productivity in the quantitative sense often decrease productivity in the qualitative sense. Of course, not all of the evidence is in. Clearly we must find an appropriate balance among conflicting, though commendable, objectives, but let us not put our expectations for solutions beyond our capabilities to realize them in this difficult area.

The methods of promoting reform and innovation are, of course, a matter of some debate. Promoters of higher public tuition also advocate increased flow of funds through the student, a plan designed to give students greater opportunity to "vote with their feet." This course would provide incentive to institutions to be more responsive to student desires and theoretically would be an incentive to the desired reform, assuming that students know what reforms they want and are good judges of what should be.

I concur that students may have a desirable impact on reform and innovation, but I do not concur that funds necessarily must flow through the students to achieve that end.

It is possible to get the same effect by linking appropriations to institutions to enrollments. For example, state funds to institutions (public and private) in support of instructional services and to instructional programs within institutions should be linked closely, but not exclusively, to enrollments as a means of encouraging institutions to respond to student demand. That is, the institutions and programs that attract the students should get the support.

Further,

- The federal government should provide grants to states and institutions to stimulate reforms in education that will make it possible for institutions to alter their instructional and managerial practices in response to major social and educational change.

°Recognizing the advantages to be gained by economies of scale, cooperative sharing of resources, and the favorable changing attitudes of institutions and states relative to cooperation, the federal government should review, update, and fund legislation to stimulate cooperative networks and centers.

°The federal government should act also to promote a stability of financing postsecondary education by adopting some general guidelines for shared financing responsibility and by appropriating federal funds sufficiently in advance of disbursement to allow students, institutions and states to plan effectively.

°Productivity, both qualitative and quantitative, should be improved so that the rise in the costs of education does not exceed the general inflation rate.

°Institutions and systems of postsecondary education, individually and collectively, should respond positively to the new public expectations for accountability. Such efforts should include:

1. Developing methods of communicating cost information to laymen so they can understand it.
2. Determining and communicating what the outputs or values added of higher education are.
3. Institutional cooperation to take advantage of economies of scale and to share high-cost under-utilized resources.

4. Modifying allocation of resources to curricular and discipline areas to respond to concerns for relevance.
5. Modifying the educational process to enhance the ability of individuals to learn.

Research and Graduate Education. Research and graduate education is a major area of concern in the transition from the 1960's to the 70's. This is caused by:

°Underemployment and unemployment of doctoral degree holders.

°Changing national priorities for research and manpower.

°Declining enrollments.

°Reduction of federal support for research and graduate education.

The issue is not one of whether priorities should change or whether there should be a reasonable match between manpower needs and manpower training, but of how to maintain, during a time of changing priorities and reduction of support, the nation's long-range research capacity and the capacity to produce highly trained manpower. Research and graduate education capabilities are not built overnight. To let them lapse and then to restore them when we need them is likely to be costly and slow at a time when urgency is important. Thus, maintaining that capacity is a national interest.

Accordingly, the federal government should support selectively, through direct institutional grants and contracts and aid to graduate students, high-quality research and graduate education in order to develop the nation's intellectual resources and to identify and resolve problems of national concern and priority.

- Federal support for basic research should grow, as a minimum, at the same rate as the growth of GNP, based on the relationship between the two in fiscal 1972.

- Federal support for institutional research capacity and for support of graduate education while adjusting to the priorities and levels of basic research support, should assure, in cooperation with the states and major research universities, a sustained capability to respond effectively to national research needs.

- The federal government should support, through institutional and, as appropriate, student grants, a limited number of high-priority professional fields of study and training that are linked directly to national needs and concerns.

Postsecondary Versus Higher Education. Congress has acted to include a host of "noncollegiate" institutions in federal financing arrangements and both the federal government and the National Commission on the Financing of Postsecondary Education are encouraging general recognition and acceptance of the broader concept of "postsecondary education." Many concerns still linger, however.

°With shortages of resources, will sharing them across more institutions and more students only compound financial problems and increase competition?

°Should institutions that offer such specialized job-oriented programs be considered for financial support on the same basis as traditionally accredited institutions?

°Are ethical problems involved because most of the noncollegiate institutions are profit-making?

°Are students getting good instruction? How can the consumer be protected from abuses in these institutions?

The evidence shows that these institutions:

°Offer programs desired by students, though often at prices higher than those at public institutions offering the same programs.

°Respond rapidly to demands of students for specialized job training.

°Are improving accrediting and consumer protection arrangements.

°Are willing to work with the collegiate institutions in making available to citizens a broader spectrum of educational programs and settings.

We must encourage the recognition of learning wherever it takes place--in public or private, profit or nonprofit settings.

We should develop financing arrangements consistent with the profit-making status of many of these institutions, permitting students who seek education in these settings to receive financial assistance if necessary.

Private Responsibilities: Philanthropic Support of Postsecondary Education. Philanthropic support for higher education historically has been strong and consistent. As we move toward a broader concept of postsecondary education, with an increasing portion of the enterprise turning public, there may be a tendency for private sources to assume that public funds will do the job. However, funds from private sources are especially important for they are often undedicated, providing programming flexibility that adds varying texture to the qualities of learning experiences available. Very often these sources of funds provide for the extra character of the course or program that strikes a responsive chord in students, not only improving their learning experience, but also increasing their retention power. Accordingly:

- Alumni, foundations, organizations, and individuals should expand philanthropic contributions to both public and private institutions.

- The federal and state governments should maintain appropriate tax incentives to assure the continuation and expansion of philanthropic contributions to postsecondary education.

- Contributors to postsecondary education should be encouraged to include unrestricted gifts in their donations, permitting maximum flexibility in the use of such income and preserving institutional integrity.

* * * * * *

What will this all cost? About the same amount as proposals by the Carnegie Commission. For those who would like a close approximation, I would refer you to Plan D in Chapter 7 of the report of the National Commission on the Financing of Postsecondary Education.

Do I really believe the necessary additional resources will be forthcoming so we can deal with these problems? The current popular opinion and my impressions of the reports of the Carnegie Commission and the Committee for Economic Development views are that we cannot expect significant increases in public support for postsecondary education. Indeed, the National Commission has acknowledged that the share of state revenues allocated to postsecondary education has declined recently. This trend is not likely to be reversed if basic attitudes and priorities continue. However, these predictions were made at a time when data were not yet available to show a general increase in state revenues and an increase in state appropriations for postsecondary education, even though the appropriations still were a declining portion of total state revenues. Further, the predictions were made at a time when the energy crisis was not widely anticipated, and even now we find it difficult to predict how that may affect the financing of postsecondary education.

While I cannot speculate on the vagaries of the economy, I am somewhat more optimistic than most acknowledged experts about the ability of postsecondary education to obtain a reasonable share of the public resources available. I believe the American people and their elected representatives genuinely support postsecondary education. They see the need for it and want it adequately supported. However, they often are very vocal, and at odds with those of us intimately involved in the process, about what postsecondary education ought to be, who it should serve, and how it should do so.

The public recognizes its lack of expertise and does not feel it should bring about changes, but rather expects the experts to cause changes. Since change has not occurred in accordance with the people's expectations, based on limited information available to them, they increasingly are asking for information that will explain to them why what we currently are doing is right and worthy of their support and what other things could be done that would be better.

This situation provides me with some hope that public attitudes toward support of postsecondary education can be improved by (1) bringing about changes in postsecondary education consistent with public expectations, or (2) providing information that demonstrates the value and efficiency of postsecondary education, or (3) both of the above.

All of us have reason to be challenged by the future, not by virtue of how great things are going to be, but rather by the opportunities we have to address some difficult but doable tasks.

We all have talked about how we would like to become involved in meaningful reform and innovation. Well, our opportunity has come. The demand for reform is here.

We all have talked about how we would like to have opportunities to work out exciting cooperative ventures. The enrollment picture suggests that we now have a meaningful setting in which to fulfill those desires.

These new conditions, I believe, provide us with an opportunity to better understand the intricacies of the learning process. The gains of the 1950's and 60's were in quantity. The gains of the 1970's and 80's, I believe, will be qualitative. This gives us cause for optimism.